

VZCZCXRO7988  
OO RUEHBC RUEHDE RUEHDIR RUEHKUK RUEHTRO  
DE RUEHC #1148/01 2101944  
ZNY SSSSS ZZH  
O P 281938Z JUL 08  
FM SECSTATE WASHDC  
TO RUEHTRO/AMEMBASSY TRIPOLI IMMEDIATE 1942  
INFO IRAN COLLECTIVE PRIORITY  
RUEHRL/AMEMBASSY BERLIN PRIORITY 6102  
RUEHLO/AMEMBASSY LONDON PRIORITY 8814  
RUEHFR/AMEMBASSY PARIS PRIORITY 0180  
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 5133

S E C R E T SECTION 01 OF 02 STATE 081148

SIPDIS

E.O. 12958: DECL: 07/28/2033  
TAGS: [KNNP](#) [MNUC](#) [IR](#) [GM](#) [PREL](#) [PARM](#) [XA](#) [XF](#) [XI](#) [TS](#) [LY](#) [ECON](#)  
SUBJECT: LIBYAN BANK IN BAHRAIN SEEKING NEW RELATIONSHIPS  
WITH IRANIAN BANKS

Classified By: NEA/MAG Office Director Elizabeth  
Hopkins for reasons 1.4 (b) and (d).

11. (C) This is an action request. Please see paragraph 3.

-----  
SUMMARY  
-----

12. (S) Washington has information that Libyan bank Alubaf Arab International Bank EC is seeking new financial relationships with Iranian banks. We are concerned that this could also involve the bank's Tunisian subsidiary. Any financial relationships with Iranian banks risk facilitating proliferation- or terrorism-related activity. Now is not the time for business as usual with Iran. Three Chapter VII UN Security Council Resolutions have been adopted that impose legally binding measures on Iran to address the threats posed by its nuclear program. UNSCR 1803 calls upon member states to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran. In addition, the Financial Action Task Force (FATF), the premier international standard-setting body for countering money laundering and combating the financing of terrorism (AML/CFT), has issued three statements of concern regarding the risk Iran poses to the international financial system due to deficiencies in its AML/CFT regime. The United States urges Libya to protect its financial system by preventing their banks from entering any new financial relationships with Iranian banks.

-----  
OBJECTIVES/ACTION REQUEST  
-----

13. (S) Washington requests that Post delivers the non-paper in paragraph 4 to appropriate host government officials in the foreign affairs and finance ministries. Posts should pursue the following objectives:

-- Inform Libya that the U.S. believes financial transactions with all Iranian banks and entities pose a significant risk of facilitating proliferation related to Iran's nuclear or missile programs or support for terrorist activities.

-- Note that all States should, consistent with UNSCR 1803, establish reporting, licensing, or other monitoring requirements for their financial institutions' activities with Iranian banks, including their branches or subsidiaries abroad.

-- Caution that financial transactions with all Iranian banks and entities pose a significant risk to the reputations and competitiveness of host national financial sectors.

-- Urge the Libyan government to investigate and prevent any new relationships with Iranian banks. Establishing new financial relationships with Iranian banks is contrary to the spirit of UNSC sanctions.

-----  
BACKGROUND AND NONPAPER  
-----

¶4. (S//REL LIBYA): We would like to raise serious concerns regarding Iranian financial activities.

-- The United States has information that the Libyan bank Alubaf Arab International Bank EC in Manama, Bahrain, was interested in establishing a banking relationship with Iranian banks in April 2008.

-- Alubaf Arab International Bank EC in Manama has a subsidiary in Tunis, Tunisia, which it owns directly (100 percent share), called Alubaf International Bank- Tunis EC. Open-source information states that Libyan Foreign Bank (LFB) owns 100% of Alubaf International Bank, Tunis and is also a 95% shareholder in Alubaf Arab International Bank EC, Manama.

-- Both Alubaf Arab International Bank and its subsidiary in  
STATE 00081148 002 OF 002

Tunisia run a significant risk of facilitating proliferation related to Iran's nuclear or missile programs or support for terrorist activities by engaging in financial transactions with Iranian banks.

-- As you know, UNSCR 1803 was adopted on March 3, 2008 and calls on all UN Member States to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, particularly Bank Melli and Bank Saderat, and their branches and subsidiaries abroad.

-- As you are also aware, the UN Security Council unanimously adopted Chapter VII UNSCRs 1737 and 1747, which require states to apply sanctions to entities and individuals designated in the resolutions in order to prevent support for Iran's nuclear and missile activities. UN Member States are required to freeze the assets of designated entities/individuals as well as those of entities "owned or controlled" by them or individuals or entities acting on their behalf (operative paragraph 12 of UNSCR 1737). UN Member States are also required to prevent the provision to Iran of financial services related to the supply, sale, transfer or use of the prohibited items specified in paragraphs 3 and 4 of UNSCR 1737 (operative paragraph 6 of UNSCR 1737).

-- On October 11, 2007 and February 28, 2008, the Financial Action Task Force (FATF) issued two public statements of concern that deficiencies in Iran's anti-money laundering and combating terrorist financing (AML/CFT) regime represent a significant vulnerability within the international financial system. These statements also urged FATF members and all jurisdictions to advise their financial institutions to take the risk arising from these risk into account for enhanced due diligence. FATF reaffirmed its public statements about Iran most recently in June 2008, and noted its concern about Iran's lack of progress.

-- The United States Financial Crimes Enforcement Network (FinCEN) also issued a statement in March 2008 warning jurisdictions about the risks of engaging in financial relationships with Iranian banks due to Iran's lack of anti-money laundering and combating terrorist financing (AML/CFT) controls. That report also urged caution regarding the Central Bank of Iran. The advisory can be found on the web at [www.fincen.gov/fin-2008-a002.pdf](http://www.fincen.gov/fin-2008-a002.pdf).

-- Now is not the time for business as usual with Iran. Establishing new financial relationships with Iranian banks is contrary to the spirit of UNSC sanctions. We urge you to investigate and prevent this relationship, which could be used to facilitate transactions on behalf of Iranian nuclear or proliferation entities.

-- We look forward to working with you on this and other related security and counter-proliferation matters, and are prepared to provide additional assistance as appropriate.

-----  
REPORTING DEADLINE  
-----

¶5. (U) Post should report results within seven business days of receipt of this cable. Please slug replies for ISN, T, TREASURY, EAP, and NEA. Please include SIPDIS in all replies.

-----  
POINT OF CONTACT  
-----

¶6. (U) Washington point of contact for follow-up information is Kevin McGeehan, ISN/CPI, (202) 647-5408, McGeehanKJ@state.sgov.gov.

¶7. (U) Department thanks Post for its assistance.  
RICE